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UNITED STATES DEPARTMENT OF AGRICULTURE  
Rural Electrification Administration

September 30, 1945

MANAGEMENT MEMORANDUM 1-1

ALLOWABLE FEES AND EXPENSES FROM LOAN FUNDS AND GENERAL FUNDS  
FOR ATTENDING DIRECTORS' OR TRUSTEES' MEETINGS

TO ALL REA BORROWERS:

It is a tradition in the cooperative movement that members and their elected representatives (the directors or trustees) are expected to serve without compensation in looking after the affairs of their cooperative enterprise. That is one reason why a cooperative generally can operate more economically than a business which has to pay for everything anyone does for it. Cooperatives are based on the idea of mutual self-help - people helping themselves by helping each other. Naturally, those members who have been honored by their fellow members with positions of leadership and trust are expected to devote more time and energy to the carrying out of their greater responsibilities than the average member. The by-laws of cooperatives quite properly specify that trustees and elected officers shall serve without compensation. On the other hand directors and trustees of cooperatives cannot be expected to stand any substantial part of their own out-of-pocket expenses in looking after the business of the cooperative.

The so-called monthly attendance fee is not intended to pay a trustee for the time he devotes to his cooperative's business but merely to cover in a general way the various small cash expenses any trustee is bound to incur if he takes his trust function seriously. The value of his services cannot be measured in dollars and cents but only in terms of the progress and welfare of the cooperative. His compensation is the satisfaction of being honored by his fellow-members as a capable public-spirited citizen to whom they are willing to entrust the welfare of their cooperative enterprise. Boards of directors should recognize, of course, that any payments for attending directors' meetings are a cost to the cooperative whether they are paid out of loan funds or out of general funds.

Payments from Loan Funds: Any fees and expenses paid to trustees out of loan funds must be eventually paid for by members in their energy bills. In recognition of this, some cooperative boards of trustees have decided against paying any attendance fees and some against any mileage allowance. Others have fixed their attendance fees or mileage at less than the maximum permitted by REA. Cooperatives are permitted by REA to use loan funds within limits and during specific periods to reimburse Board members for out-of-pocket expenses in connection with the following board meetings:

- (a) One meeting in each month during the period between the date of incorporation of the borrower and a date three months after the date of energization of the primary lines constructed under the first construction contract to which the



borrower is a party. Directors or trustees shall receive no fees or travel expenses whatsoever in respect of attendance at meetings during this period other than such as are permitted to be paid-out of construction loan contract funds.

- (b) Three additional meetings if the same shall be necessary, during the three months next following the date of the first allotment of the Rural Electrification Administration to the borrower.
- (c) Two additional meetings, if the same shall be necessary, during the three months next following the date of the making of any supplementary or additional allotments to the borrower for construction.

Such reimbursements from loan funds unless specifically authorized by the Administrator, shall not exceed a maximum of 5 cents per mile for the shortest round-trip distance between a trustee's home and the meeting place and an attendance fee of three dollars (\$3.00) per meeting to cover other incidental expenses.

Attached are two copies of an acceptable form of resolution together with a form of the secretary's certificate. If you wish to avail yourselves of this policy, you should adopt this resolution and send us one of the attached resolution forms with the blanks filled in, together with the secretary's certificate. A copy should be kept on file for your reference.

Each requisition for payments submitted to REA should list the required information as shown in the following sample:

Name	Place of Meeting	Date	Fee	Mileage & Rate	Total Payment
1. John Doe	Farmland	7-1-45	\$3.00	24 @ 4¢	\$3.96
2. Jane Doe	"	"	3.00	38 @ 4¢	4.52

It is sometimes possible for two or more directors to use one automobile together in going to and from directors' meetings. In such cases, of course, only the director whose car is being used has the right to put in a claim for mileage. It would be improper for any director to charge his system with travel expense which he has not actually incurred.

Payments from General Funds: In recognition of the fact that fees paid to directors are not intended to constitute compensation for services and that any fees paid from general funds are part of the operating expenses of a cooperative, the following considerations should be observed as a basis for guidance to cooperative borrowers on questions of payments of directors' fees and mileage allowances from the general funds of a cooperative:

First: Attendance fees and travel expenses paid from general funds of a cooperative should as a sound cooperative practice, continue to reflect the cash out-of-pocket expenses - not compensation for services - incurred by

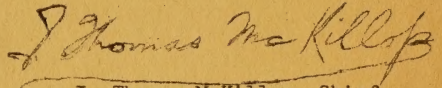


trustees in looking after the affairs of the cooperative. Such fees should not exceed actual expenses incurred.

Second: Trustees appointed to serve on official bodies as representatives of their REA-financed cooperatives are justified in receiving reimbursement of actual expenses incurred in attending official meetings of such organizations.

Third: Expenses incurred by trustees by reason of attendance at other meetings such as members' meetings community and other neighborhood meetings whether called by the REA cooperative or other community organization should not be considered as reimbursable out of the general funds of the cooperative.

Attachments-3



I. Thomas McKillop, Chief  
Management Division  
1-10-50





RESOLUTION COVERING ALLOWANCE TO DIRECTORS  
FOR ATTENDANCE AT DIRECTORS' MEETINGS

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The Chairman stated that the Rural Electrification Administration had advised that it would permit the advancement of funds within certain limits for the payment of fees\* to directors for attendance at directors' meetings and travel expense to and from such meetings, and that the next order of business would be the consideration of making such payments. The Chairman then explained the circumstances under and the limits within which such payments would be approved by the Rural Electrification Administration and requested the Secretary to read to the meeting Management Memorandum 1-1 setting forth the policy of the Rural Electrification Administration with respect to such payments. After the Management Memorandum 1-1 had been read to the meeting by the Secretary and a full discussion was had with respect thereto, upon motion duly made and seconded, the following resolution was adopted:

RESOLVED, That each director of the system shall be paid the fee of \$\_\_\_\_\_ for each of the meetings of the Board of Directors hereinafter specified attended by such director, together with a sum for travel expenses actually incurred in respect of each such meeting computed by multiplying twice the number of miles in the shortest route between the place of meeting and the residence of such director by \_\_\_\_\_¢: (a) one meeting in each month during the period between the date of the incorporation of the system and a date three months after the energization of the primary lines constructed under the first construction contract to which the system is a party; (b) not more than three additional meetings during the three months next following the date of the first allotment by the Rural Electrification Administration; and (c) not more than two additional meetings, if the same shall be necessary, during the three months next following the date of any supplementary or additional allotment by the Rural Electrification Administration for construction; that the fees and expenses hereinabove provided for shall be paid from funds made available under construction loan contracts between the United States of America and the system; and that, except as hereinabove provided, no fees or expenses whatsoever shall be paid in respect of attendance of directors at meetings of the Board of Directors of the system during the period specified in subdivision (a) above.

\* These fees may not be legal in your state. If you desire to pay your directors a fee, you should check with your attorney to determine the legality of such payment.





RESOLUTION COVERING ALLOWANCES TO DIRECTORS  
FOR ATTENDANCE AT DIRECTORS' MEETINGS

The Chairman stated that the Rural Electrification Administration had advised that it would permit the advancement of funds within certain limits as payment to directors for travel expenses to and from directors' meetings, and that the next order of business would be the consideration of making such payments. The Chairman then explained the circumstances under and the limits within which such payments would be approved by the Rural Electrification Administration, and requested the Secretary to read Management Memorandum 1-1 setting forth the policy of the Rural Electrification Administration with respect to such payments. The Secretary read the Management Memorandum, following which the Chairman stated that the System Attorney had advised that the laws of this state do not permit the payment of fixed fees to directors for attending directors' meetings but permit only the payment of actual expenses incurred in attending such meetings. After a full discussion was had with respect thereto, upon motion duly made and seconded, the following resolution was adopted:

RESOLVED, That each director of the system shall be paid for each of the meetings of the Board of Directors hereinafter specified attended by such director a sum for travel expenses actually incurred in respect of each such meeting computed by multiplying twice the number of miles in the shortest route between the place of meeting and the residence of such director by \_\_\_\_\_¢ and in addition other expenses actually incurred not to exceed \$\_\_\_\_\_: (a) one meeting in each month during the period between the date of the incorporation of the system and a date three months after the energization of the primary lines constructed under the first construction contract to which the system is a party; (b) not more than three additional meetings during the three months next following the date of the first allotment by the Rural Electrification Administration: and (c) not more than two additional meetings, if the same shall be necessary, during the three months next following the date of any supplementary or additional allotments by the Rural Electrification Administration for construction; that the expenses hereinabove provided for shall be paid from funds made available under construction loan contracts between the United States of America and the system; and that, except as hereinabove provided, no expenses whatsoever shall be paid in respect of attendance of directors at meetings of the Board of Directors of the system during the period specified in subdivision (a) above.





FORM OF SECRETARY'S CERTIFICATE CERTIFYING TO RESOLUTIONS  
ADOPTED TO WHICH CORPORATE SEAL SHOULD BE AFFIXED

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I, \_\_\_\_\_, do hereby  
certify that I am the duly elected, qualified and acting  
Secretary of \_\_\_\_\_

\_\_\_\_\_, and the keeper of its  
records and that the above and foregoing is a true and  
correct copy of a resolution duly adopted at a regular  
meeting of the Board of Directors of said Corporation  
duly convened and held in accordance with its by-laws,  
on the \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_, at  
which a quorum was present and acting throughout, and  
I do further certify that said resolution is still in  
force and effect and has not been repealed.

IN WITNESS WHEREOF, I have hereunto subscribed my name as  
Secretary and affixed the corporate seal of said Corporation  
this \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_.

\_\_\_\_\_  
Secretary

